

### 3.1.4 Contractual Basis for Objective Standards of Performance

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#### CLAUSE 2.6 – PERFORMANCE-BASED MANAGEMENT (SPECIAL)

(a) Performance-based management system. This contract is a management and operating contract arrangement that is performance-based. This performance-based management contract uses clearly defined performance objectives, criteria, and measures agreed to in advance on a fiscal year basis. These standards are used for the appraisal and evaluation of work under this contract for operations and administrative areas. This performance-based management contract is supported by a system that includes: (1) the utilization of self-assessment and integrated oversight methodologies, systems, and processes to enhance operational efficiency and performance effectiveness; (2) the use of peer review and self-assessment in the appraisal and evaluation of science and technology/programmatic performance performed under this contract; and, (3) such other administrative processes and procedures as the Parties may mutually agree to, from time to time, as they deem necessary to effect the intent of this clause and Appendix F to this contract.

(b) Appendix F, Laboratory appraisal and evaluation. Appendix F to this contract describes the various components of the Laboratory appraisal and evaluation process, including the criteria for the conduct of peer review of science and technology, the current performance objectives, criteria, and measures for operations and administration, and the relative weights and scoring scheme for overall evaluation and appraisal of Contractor performance.

(c) Evaluation of science and technology.

(1) A major element of the evaluation and appraisal of the Contractor's performance of science and technology shall be the comprehensive and balanced peer review process conducted by the Contractor for the Laboratory through the University President's Council on the National Laboratories (the President's Council). The criteria for the peer review of science and technology performance at the Laboratory are described in Appendix F to this contract.

(2) The President's Council, on an ongoing basis, reviews the strategic planning and overall quality of science at the Laboratory, specifically monitoring the effectiveness of the Laboratory management efforts in fostering an atmosphere conducive to scientific inquiry and intellectual freedom. The President's Council periodically reviews selected crosscutting programmatic topics of importance to the Laboratory and DOE; topics for review will be suggested by Laboratory staff, DOE, and the President's Council.

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### 3.1.4 Contractual Basis for Objective Standards of Performance, *Continued*

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(3) The results of the President's Council peer review process will provide the basis for the Contractor's self-assessment of the Contractor's performance of science and technology which will be provided to DOE consistent with the provisions of Appendix F.

(4) DOE will validate the Contractor's self-assessment for integrity of the process and will utilize the self-assessment and other pertinent information in formulating DOE's appraisal and evaluation of Contractor performance in science and technology.

(d) Evaluation of operations and administrative performance.

(1) With respect to the Contractor's performance in operations and administration, the Contractor shall, on an annual basis, provide to DOE, consistent with the provisions of Appendix F, a self-assessment of its performance against the performance objectives, criteria, and measures set forth in Appendix F (Appendix F POCMs).

(2) (i) The Parties will annually review the Appendix F POCMs and modify them upon agreement of the Parties. It is expected that the performance measures will be modified by the Contractor and DOE to respond to DOE initiatives, to drive improvement, and to reflect lessons learned. The Parties will use functional area specific teams with representatives from the Albuquerque and Oakland Operations Offices, the three University-operated DOE laboratories, and the University President's Office to develop any desired revisions to the POCMs applicable to all three laboratories. A steering committee with senior management from DOE and the University will be used to review and approve revisions to Appendix F and to resolve any team issues.

(ii) To the extent agreement cannot be reached as to the appropriate performance objectives for a given fiscal year, the issue will be resolved within 90 days in the following sequence: first, consideration by UC/DOE Leadership Group and then, should there be no agreement, a review and final determination by the cognizant DOE Program Secretarial Officer (PSO).

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### 3.1.4 Contractual Basis for Objective Standards of Performance, Continued

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(3) DOE, in formulating its appraisal and evaluation of Contractor performance of work covered under this subparagraph, will give primary emphasis and consideration to the Contractor's self-assessment against Appendix F POCMs, recognizing that the Contracting Officer may take into account other pertinent information derived from the DOE appraisal program as provided in subparagraph (e) below. With respect to the evaluation and appraisal of performance in functional areas included in the DOE's Business Management Integrated Oversight program, the DOE's validation of the Contractor self-assessment and its appraisal and evaluation of Contractor performance in those areas shall be conducted in a manner consistent with the applicable Contracting Officer directive.

(e) Laboratory appraisal. Annually, the Contracting Officer shall provide a written assessment of the Contractor's performance at the Laboratory, which shall be based upon the DOE appraisal program and the Contracting Officer's evaluation of the Contractor's self-assessment.

(f) Partnership for performance. The Parties agree to continue their informal "Partnership for Performance" program to drive performance improvement, reduce cost of operations, streamline oversight practices, achieve the adaptation of best business practices to the extent practicable, and to provide best-value support of scientific and technical excellence to ensure the continued relevance of the Laboratory and maximum contribution to national interests.